



GARFIELD COUNTY

County Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**GARFIELD COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.

April 17, 2019

TO THE CITIZENS OF
GARFIELD COUNTY, OKLAHOMA

Transmitted herewith is the audit of Garfield County, Oklahoma for the fiscal year ended June 30, 2016. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**GARFIELD COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

District 1 – Marc Bolz

District 2 – Reese Wedel

District 3 – James C. Simunek

County Assessor

L. Wade Patterson

County Clerk

Lorie Legere

County Sheriff

Jerry Niles

County Treasurer

Kevin R. Postier

Court Clerk

Margaret F. Jones

District Attorney

Michael Fields

**GARFIELD COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
GARFIELD COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Garfield County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Garfield County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Garfield County as of June 30, 2016, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Garfield County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

The other supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2019, on our consideration of Garfield County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Garfield County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 15, 2019

REGULATORY BASIS FINANCIAL STATEMENT

GARFIELD COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
County General Fund	\$ 3,304,321	\$ 7,268,592	\$ -	\$ -	\$ 6,442,656	\$ 4,130,257
County Highway Fund	4,923,174	8,068,368	-	37,700	7,784,515	5,169,327
County Health Department	1,066,898	1,532,381	-	-	1,538,346	1,060,933
Jail Sales Tax Fund	-	2,543,042	-	-	2,543,042	-
Detention Facility	157,304	1,850,012	-	-	1,864,304	143,012
Rural Fire Sales Tax	2,486,878	1,216,454	-	-	978,781	2,724,551
Sheriff County Prisoner Fund	149,426	314,422	-	-	356,841	107,007
Sheriff Service Fee	341,236	682,790	-	-	704,807	319,219
Remaining Aggregate Funds	2,964,580	1,421,006	33,151	-	1,881,366	2,537,371
Combined Total - All County Funds	\$ 15,393,817	\$ 24,897,067	\$ 33,151	\$ 37,700	\$ 24,094,658	\$ 16,191,677

The notes to the financial statement are an integral part of this statement.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Garfield County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General Fund – accounts for revenues from ad valorem, sales tax, officer's fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

County Highway Fund – accounts for revenues from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health Department – accounts for revenues from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the County Health Department.

Jail Sales Tax Fund – accounts for the collections of sales tax revenue and disbursements are made to the Criminal Justice Authority and Sales Tax fund in accordance with the sales tax agreement.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Detention Facility – accounts for bond fees received from the Court Clerk, prisoner housing reimbursements received from the City of Enid, and for sales tax revenue transferred from the Criminal Justice Authority and Jail Sales Tax fund. The disbursements are for maintaining and operating the Garfield County Detention Facility.

Rural Fire Sales Tax – accounts for the sales tax received for the operation of the Breckenridge, Covington, Douglas, Drummond, Fairmont, Garber, Hillsdale, Hunter, Kremlin, Lahoma, Waukomis, and Pioneer rural fire departments.

Sheriff County Prisoner Fund – accounts for the collection and disbursement of money supplied to the Sheriff's office for the housing of prisoners for towns, tribes, and other counties. This money can be used for any lawful expenditure of the Sheriff's office.

Sheriff Service Fee – accounts for revenues from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

D. Sales Tax

The voters of Garfield County approved a .25% (.0025) county sales tax effective January 1, 2003, to be in effect until January 1, 2018. This sales tax is collected in the Jail Sales Tax Fund and then disbursed to the Garfield County Criminal Justice Authority in accordance with the sales tax agreement. The sales tax is administered by the Garfield County Criminal Justice Authority for the purpose of erecting, furnishing, equipping, operating, and maintaining a new county jail. These

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

funds are accounted for within the Jail Sales Tax Fund, and the Detention Facility fund. A resolution passed by the Garfield County Criminal Justice Authority directs the Garfield County Treasurer to create the Detention Facility fund and to transfer annually an amount to be determined by the Garfield County Board of County Commissioners and the Garfield County Sheriff to provide for the operations of the Garfield County Detention Facility.

The voters of Garfield County approved a .10% (.0010) county sales tax effective January 1, 2006, to be in effect until December 31, 2014. The sales tax is dedicated to the twelve (12) county rural fire departments. The voters of Garfield County approved to extend the .10% (.0010) county sales tax again effective January 1, 2015 and shall terminate December 31, 2024. These funds are accounted for within the Rural Fire Sales Tax fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$515,472 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2016.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

During the fiscal year, the County made the following interfund transfers between funds.

- \$37,700 from County Highway Fund to the Economic Development Authority, a trust and agency fund, for repayment of District 3 shop building.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- \$33,151 from the Excess Resale fund, a trust and agency fund, to the Resale Property fund for unclaimed 2015 Excess Resale in accordance with Title 68 O.S. § 3131.

OTHER SUPPLEMENTARY INFORMATION

GARFIELD COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,304,321	\$ 3,304,321	\$ -
Less: Prior Year Outstanding Warrants	(156,284)	(156,284)	-
Less: Prior Year Encumbrances	(162,063)	(120,589)	41,474
Beginning Cash Balances, Budgetary Basis	<u>2,985,974</u>	<u>3,027,448</u>	<u>41,474</u>
Receipts:			
Ad Valorem Taxes	5,524,190	5,656,717	132,527
Charges for Services	-	315,231	315,231
Intergovernmental Revenues	-	987,083	987,083
Sales Tax	-	42,925	42,925
Miscellaneous Revenues	538,888	266,636	(272,252)
Total Receipts, Budgetary Basis	<u>6,063,078</u>	<u>7,268,592</u>	<u>1,205,514</u>
Expenditures:			
District Attorney - State	49,509	38,508	11,001
District Attorney - County	5,450	5,221	229
County Sheriff	1,296,740	1,237,253	59,487
County Treasurer	158,806	158,219	587
County Commissioners	411,459	409,963	1,496
OSU Extension	133,170	127,652	5,518
County Clerk	235,069	233,477	1,592
Court Clerk	558,986	526,396	32,590
County Assessor	439,973	394,478	45,495
Revaluation of Real Property	348,965	332,925	16,040
Juvenile Shelter Bureau	209,826	197,570	12,256
District Court	4,001	2,459	1,542
General Government	1,344,236	873,988	470,248
Excise-Equalization Board	13,450	11,190	2,260
County Election Expense	157,619	133,318	24,301
Insurance - Benefits	1,631,700	1,326,272	305,428
Data Processing	103,455	78,668	24,787
Charity	2,975	1,005	1,970
Recording Account	65,900	53,570	12,330
Civil Defense/Emergency Management	50,320	47,582	2,738
Garfield County Contingency Fund	1,412,590	4,245	1,408,345
Planning Commission	1	-	1
Courthouse Security	106,698	100,769	5,929
Juvenile Detention	120,500	101,454	19,046
County Audit Budget Account	137,654	5,347	132,307
Free Fair Budget Account	20,000	20,000	-
Postage	30,000	30,000	-
Total Expenditures, Budgetary Basis	<u>9,049,052</u>	<u>6,451,529</u>	<u>2,597,523</u>

Continued on next page

GARFIELD COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
Continued from previous page	Budget	Actual	Variance
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	3,844,511	\$ 3,844,511
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		852	
Add: Current Year Outstanding Warrants		114,798	
Add: Current Year Encumbrances		170,096	
Ending Cash Balance		\$ 4,130,257	

**GARFIELD COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,066,898	\$ 1,066,898	\$ -
Less: Prior Year Outstanding Warrants	(224,483)	(224,483)	-
Less: Prior Year Encumbrances	(182,573)	(155,178)	27,395
Beginning Cash Balances, Budgetary Basis	<u>659,842</u>	<u>687,237</u>	<u>27,395</u>
Receipts:			
Ad Valorem Taxes	1,383,668	1,416,862	33,194
Charges for Services	-	10,135	10,135
Intergovernmental Revenues	-	105,269	105,269
Miscellaneous Revenues	11,419	115	(11,304)
Total Receipts, Budgetary Basis	<u>1,395,087</u>	<u>1,532,381</u>	<u>137,294</u>
Expenditures:			
Health and Welfare	<u>2,648,257</u>	<u>1,395,881</u>	<u>1,252,376</u>
Total Expenditures, Budgetary Basis	<u>2,648,257</u>	<u>1,395,881</u>	<u>1,252,376</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ (593,328)</u>	823,737	<u>\$ 1,417,065</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		237,086	
Add: Current Year Outstanding Warrants		110	
Ending Cash Balance		<u>\$ 1,060,933</u>	

GARFIELD COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:						
County Bridge and Road Improvement Fund	\$ 880,187	\$ 321,990	\$ -	\$ -	\$ 519,761	\$ 682,416
Resale Property	439,384	192,515	33,151	-	208,003	457,047
Assessor Visual Inspection	31,986	-	-	-	-	31,986
County Clerk Records Preservation Fee	41,598	63,885	-	-	92,457	13,026
County Clerk Lien Fee	90,222	24,716	-	-	100,890	14,048
Treasurer Mortgage Tax Certification Fee	4,683	9,340	-	-	7,551	6,472
Sheriff Training	5,000	17,816	-	-	5,645	17,171
Sheriff Estray Animal	710	-	-	-	-	710
Sheriff Commissary	26,677	35,594	-	-	54,311	7,960
County Assessor Fee	13,494	3,036	-	-	2,729	13,801
Sheriff Reserve	8,297	-	-	-	-	8,297
Sheriff Drug	13,488	-	-	-	12,867	621
Sheriff Environmental Quality	2,109	250	-	-	-	2,359
Sheriff Confidential Purchase	500	-	-	-	-	500
Sheriff Juvenile Justice	631	5,066	-	-	-	5,697
Sheriff DARE	1,392	-	-	-	-	1,392
Sheriff Unclaimed Property	1,414	-	-	-	-	1,414
Sheriff K9 Donation	51	15,636	-	-	6,151	9,536
Special Insurance	28,325	-	-	-	6,779	21,546
County Use Tax	281,094	314,941	-	-	207,634	388,401
Contingency Fund	995,553	53,651	-	-	304,665	744,539
Safe Room Program	1,080	-	-	-	-	1,080
Local Emergency Planning	15,191	-	-	-	574	14,617
Garfield County Emergency Management Program	3,424	22,656	-	-	21,028	5,052
Garfield County Drug Court	77,209	182,321	-	-	175,132	84,398
Court Funded Payroll	881	157,593	-	-	155,189	3,285
Combined Total - Remaining Aggregate Funds	\$ 2,964,580	\$ 1,421,006	\$ 33,151	\$ -	\$ 1,881,366	\$ 2,537,371

**GARFIELD COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

County Bridge and Road Improvement Fund - accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

Resale Property - accounts for revenues from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Assessor Visual Inspection - accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

County Clerk Records Preservation Fee - accounts for revenues from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

County Clerk Lien Fee - accounts for revenues from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

Treasurer Mortgage Tax Certification Fee - accounts for revenues from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Sheriff Training - accounts for the collection and disbursement of money supplied to the Sheriff's office for the training of officers.

Sheriff Estray Animal - accounts for the collection of selling found and unclaimed cattle. Disbursements are made for the general operation of the Sheriff's office.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Sheriff Commissary - accounts for the profit of collection of funds on items sold to prisoners and used to purchase additional merchandise to be sold and operation of the jail.

County Assessor Fee - accounts for revenues from fees charged by the County Assessor. Disbursements are for any lawful expense of the Assessor's office.

Sheriff Reserve - accounts for the receipt of donations and general expenditures of the Sheriff's office.

Sheriff Drug - accounts for the collection and disbursement of forfeited property from drug cases.

Sheriff Environmental Quality - accounts for a percentage of fines imposed for littering and disbursed for rewards in the arrest and conviction of any person who violates these provisions.

Sheriff Confidential Purchase - accounts for the undercover drug purchases and the reimbursement of those funds.

Sheriff Juvenile Justice - accounts for the receipt of federal grants for the use of juvenile detention.

Sheriff DARE - accounts for the donation and disbursements for the DARE program.

Sheriff Unclaimed Property - accounts for the receipt of unclaimed property that is court ordered as property of the Sheriff's office.

Sheriff K9 Donation - accounts for the donations for the purchase of a replacement drug dog.

Special Insurance - established to administer the County's pooled self-insurance fund and accounts for receipts and disbursements for insurance loss.

County Use Tax - accounts for the use tax collected by the State of Oklahoma and disbursed to the County to be spent as directed by the Board of County Commissioners.

Contingency Fund - accounts for the amount reserved for possible future liabilities.

Safe Room Program - accounts for the funds received for the safe room rebate program funded through the Oklahoma Department of Civil Emergency Management.

Local Emergency Planning - accounts for revenues are from the State of Oklahoma and disbursements are for the purchase of equipment for Emergency Management.

Garfield County Emergency Management Program - accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Garfield County Drug Court - accounts for funds received through the Department of Mental Health and disbursements are for the operation of the drug court programs.

Court Funded Payroll - accounts for funds deposited by the Court Clerk and disbursements are for payroll operations of the Court Clerk's office.

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
GARFIELD COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Garfield County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises Garfield County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 15, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2016, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Garfield County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Garfield County's internal control. Accordingly, we do not express an opinion on the effectiveness of Garfield County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2016-009, 2016-010 and 2016-014.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2016-004 and 2016-012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garfield County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-009 and 2016-014.

We noted certain matters regarding statutory compliance that we reported to the management of Garfield County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Garfield County's Responses to Findings

Garfield County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Garfield County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA,
OKLAHOMA STATE AUDITOR & INSPECTOR

April 15, 2019

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2016-004 – Lack of Written Disaster Recovery Plans (Repeat Finding)

Condition: The County Commissioners, County Clerk, County Treasurer, County Clerk, Court Clerk, County Sheriff, and County Assessor do not have current written Disaster Recovery Plans.

Cause of Condition: Policies and procedures have not been designed to develop and implement a formal Disaster Recovery Plan for each office.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the County Commissioners, County Clerk, County Treasurer, County Clerk, Court Clerk, County Sheriff, and County Assessor develop a current Disaster Recovery Plan which is stored off-site. The County should study and act on different proposals to ensure that back-up tapes of all records in the County are stored in a safe, secure and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster.

Management Response:

District 1 Commissioner: We will format a disaster recovery plan with Class A Officers.

District 2 Commissioner: We will work to design a plan in a Class A Officers’ meeting to ensure a plan is in place for all officers to know the procedures to follow.

District 3 Commissioner: We will work on implementing a plan through Class A Officers and the Emergency Management Officer.

County Clerk: We have discussed among the Elected Officials ideas to begin a written disaster recovery plan, and will begin working on this issue in our Class A Officers’ meeting.

County Treasurer: We will work with IT to prepare a Disaster Recovery Plan.

County Sheriff: We will work with all offices, emergency management and Data/IT staff to develop written policy to include purchasing of equipment for adequate data storage, recovery and back-ups for recovery operations, including:

- Jail operations
- Dispatch operations
- Patrol and civil service

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Fleet management, and
- Courthouse security

Court Clerk: The Elected Officials will address the matter in the next Class A Officers' meeting.

County Assessor: We will work with our IT Director to document and put in place a formal Disaster Recovery Plan. At this time, we are backing up all data internally as well as off site. We will make sure and put this in writing as well.

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined, training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

According to the standards of the Information Systems Audit and Control Association (CobiT 4.1, Delivery and Support, 5.3 Identity Management), information services function management should ensure that all users (internal, external, and temporary) and their activity on IT systems (business application, IT environment, system operations, development, and maintenance) are uniquely identifiable. Enable user identities via authentication mechanisms. Confirm that user access rights to systems and data are in line with defined and documented business needs and that job requirements are attached to user identities. Ensure that user access rights are requested by user management, approved by system owners and implemented by the security-responsible person. Maintain user identities and access rights in a central repository. Deploy cost-effective technical and procedural measures, and keep them current to establish user identification, implement authentication and enforce access rights.

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-009 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon discussion with officials, observation of the disbursement process, and tests of disbursements, we noted the following weaknesses regarding the disbursement process:

- The duties of accounts payable were not adequately segregated. One employee is responsible for adding new vendors, encumbering the funds, printing the warrants, and delivering the warrants to vendors.
- The duties of processing payroll were not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, prints payroll warrants, and prepares the end of the month payroll reports. The Payroll Clerk is also responsible for logging on to the financial institution website and initiating the direct deposit.
- The test of sixty-seven (67) disbursements reflected the following:
 - Three (3) disbursements were for the County's share of insurance and benefits. This was done on a general claim form rather than a purchase order. The general claim form does not encumber the funds or require proper signatures to be completed. Also, the general claim form does not have the proper verification attached.
 - Eleven (11) instances were noted where the purchase orders were not properly encumbered.

Cause of Condition: Policies and procedures have not been fully implemented with regard to the disbursement process to strengthen internal controls and ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with the state statutes and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that the processes regarding disbursements be adequately segregated.

OSAI recommends the County practice proper purchasing procedures. All purchases should be properly requisitioned, and have proper supporting documentation attached.

Furthermore, OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files,
- Performing direct deposits, and
- Preparing end of month payroll reports.

Further, OSAI recommends the following in accordance with 19 O.S. § 1505(C) and § 1505(E).

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursements of county funds should be supported with invoices and receiving reports.

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Management Response:

District 1 Commissioner: We will use the purchase order form instead of the general claim forms. We will request the Health Department personnel go to a purchasing class.

District 2 Commissioner: We will change to purchase order instead of a general claim form for insurance and benefits. We will have the Health Department employees attend a purchasing class so they are aware and understand the procedures regarding purchase orders.

District 3 Commissioner: We will change from general claim form to a purchase order. We will attach the funding agreement with the purchase order.

County Clerk: We are working on a new system of having the tasks of adding new vendors, encumbering the funds, printing the warrants, and delivering the warrants to vendors broken down to more than one employee. Likewise on payroll, we are working on a plan of having the duties of the payroll clerk broken down to more than one employee. Regarding the previous practice of using a general claim form for the encumbering of the County's share of insurance and benefits, we have informed the payroll clerk that this will no longer be an acceptable method, and that the purchase order form is the correct form to use when completing this task. On the eleven (11) instances noted where the purchase orders were not properly encumbered, the listed departments have been contacted, and they have taken steps to ensure that funds are properly encumbered prior to making a purchase.

County Sheriff: I will ensure that county funds will be encumbered prior to receipt of services.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorization, and distribution should be segregated.

Additionally, effective internal controls require that management properly implement procedures to ensure that procedures to ensure that purchases are made in compliance with 19 O.S. § 1505(C) and 1505(E).

Finding 2016-010 – Purchasing Procedures Not Properly Followed (Repeat Finding)

Condition: During the documentation of internal controls over disbursements, we noted that the twelve (12) rural fire departments sign the requisitioning line on blank purchase orders authorizing the requisition of goods or services. The signed purchase orders are held by the County Purchasing Agent to be completed upon the request of the rural fire departments. Upon request of the rural fire departments, the Purchasing Agent completes the purchase order by filling in the amount, purpose, and funds.

Cause of Condition: For the convenience of rural fire department volunteers, proper purchasing procedures with regard to requisitioning of goods and services have not been followed.

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the requisitioning officer of the rural fire departments sign purchase orders after the requisition/purchase order form has been completed.

Management Response:

Chairman of the Board: In regards to the twelve rural fire departments signing a blank purchase order and leaving it to be held by the Purchasing Agent to be completed upon the request of the rural fire departments. The County Clerk has notified all of the twelve rural fire departments that the Purchasing Department will no longer hold signed blank purchase orders, to be completed as per their request. The County Clerk's office has been working with all the rural fire departments, to devise a plan that will comply with internal controls over purchasing procedures.

County Clerk: Regarding the twelve rural fire departments signing a blank purchase order and leaving it to be held by the Purchasing Agent to be completed upon the request of the rural fire departments, we stated on the 2015 findings, we have notified the twelve rural fire departments that the Purchasing Department will no longer hold signed blank purchase orders, for us to complete as per their request. We are currently in the process of working with all twelve departments, and devising a plan that will work for both the Purchasing Department and rural fire departments, while complying with internal controls over purchasing procedures.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation.

Finding 2016-012 – Inadequate Internal Controls Over the Reconciliation of Financial Ledgers (Repeat Finding)

Condition: The County Clerk's appropriation ledger was not reconciled to the County Treasurer's general ledger during fiscal year 2016.

Cause of Condition: Policies and procedures were not designed regarding a monthly reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled monthly to the County Treasurer's general ledger.

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Management Response:

County Clerk: We are in the process of working with the County Treasurer's office to devise a policy whereas the County Clerk's appropriation ledger is reconciled monthly to the County Treasurer's general ledger.

County Treasurer: We are working on the completion of the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

Criteria: Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Finding 2016-014 – Inadequate Internal Controls Over Transfers and Noncompliance with State Statutes

Condition: In fiscal year 2014, the County created the Contingency Fund by transferring County General Fund monies totaling \$685,146 into the Contingency Fund. OSAI informed the County that transferring funds out of the County General Fund was not allowed by state statute. During the fiscal year 2016 audit, it was noted that this condition has not been corrected.

Further, the County General Fund revenues are budgeted funds and the use of these funds are restricted by state statute. These funds are budgeted to meet the expenditure requirements for the current fiscal year. If the funds are not used, they are lapsed and used for the expenditure requirements of the next fiscal year.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with Title 62 O.S. § 331 which restricts the transferring and comingling of specific revenue sources and Title 68 O.S. § 3021 to ensure temporary transfers are repaid by the end of the fiscal year.

Effect of Condition: This condition resulted in noncompliance with state statute and restricted funds being used for purposes other than those outlined in state statutes. This condition could also result in misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that the County reimburse the County General Fund from the Contingency Fund in the amount of \$685,146. Transfers between funds should only be made for those limited specific purposes as stated in the state statutes. The County also needs to design procedures to identify all temporary operational transfers and ensure these transfers are paid back prior to the end of the fiscal year in which they were made in accordance with state statutes.

Management Response:

Chairman of the Board: We have corrected the Contingency Fund by moving it into the General Fund in accordance with the Chart of Accounts.

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Criteria: Title 62 O.S. § 331 states in part, “First. All funds for current requirements arising out of an ad valorem tax levy assessed and collected under the provisions of Section 9, Article 10, Constitution, as amended, ... are hereby declared to constitute the "General Fund" of such county, city, town, independent or dependent school district, or other municipal subdivisions of the state. All special "funds" arising out of an ad valorem tax levy, within the limitations of said Section 9, Article 10, Constitution, ... authorized or required by existing laws to be devoted to a specific or special purpose, or that may hereafter be so authorized or required, unless specifically excepted, shall, from and after the effective date of this act, be accounted for as integral "budget accounts" within and as a part of the said "General Fund." Each such integral budget account shall bear the title ascribed by law to such special purpose, and it shall be subject to be so itemized for purpose of appropriation as the law may direct for the accomplishment of such special purpose, and none of the items of appropriation within such special budget account shall ever be expended for any purpose other than provided by the law creating such special fund (now budget account) nor shall any part of it ever be available for transfer to any other budget account within the General Fund. It is provided, however, that cancellation and/or transfer between the several items of appropriation for a special purpose within the limitations and in the manner provided by law is hereby authorized.”

Title 68 O.S. § 3021 states in part, “Fourth: If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred.”

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2016-003 – Inadequate Internal Controls and Noncompliance Over the Bidding Process

Condition: The County Sheriff purchased five (5) 2016 Ford Explorers utilizing state contract pricing. However, the price per vehicle did not match the state contract pricing attached to the purchase order. Additionally, the documents provided by the County Sheriff’s Office to explain the pricing difference did not equal the purchase price or the state contract pricing. This purchase was not properly bid.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure purchases using the state bid list are for the exact same item from a local vendor at or below state contract pricing in compliance with 19 O.S. § 1501.

Effect of Condition: These conditions resulted in noncompliance with state statute, and could result in inaccurate records, incomplete information or misappropriation of assets.

Recommendation: OSAI recommends all purchases from state contract be for the same exact item and at or below the price listed on the state bid list in accordance with state statute.

Management Response:

County Clerk: We have visited with the Sheriff’s Department regarding their purchase of the five (5) 2016 Ford Explorers, and have implemented a policy that all future purchases that are made utilizing the State Contract for Oklahoma, will have a printed out copy of the State Contract, with an itemization of each and every option being purchased, and when the Purchase Order is prepared, it will list each and every option being purchased, so as to match with the State Contract that was used. This will alleviate the possibility of an extra option being requested that funds were not properly encumbered for.

County Sheriff: My office will require an exact match to all items/options on the state bid quote from local vendors or documentation to a price less than state bid.

Criteria: Title 19 O.S. § 1501(A)(3)(l) states, “The county purchasing agent: Shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except: when considering the purchase of an item or items from the state bid list as provided by the Office of Management and Enterprise Services or the General Services Administration, if the same exact item is available from a local vendor at or below the price listed on the state bid list or the General Services Administration list, the item may be obtained from the vendor,”

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-005 – Estimate of Needs Not Accurately Presented

Condition: It was noted that the fiscal year 2014-2015 ending cash balance on Exhibit Y of the County Health Fund Estimate of Needs for fiscal year 2015-2016 was overstated by \$493,328 and the appropriations approved by the Excise Board were understated by \$100,000.00. The final budget did not balance; budgeted expenditures exceeded budgeted revenue by \$593,328.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's Health Fund Estimate of Needs is accurate.

Effect of Condition: These conditions resulted in an inaccurate Estimate of Needs being approved by the Excise Board and the County operating from a budget that is not a true reflection of the County's financial condition.

Recommendation: OSAI recommends management ensure the accuracy of budgeted numbers to the budget being approved. Further, the Health Department should follow constitutional and statutory requirements regarding budgeted expenditures not exceeding estimate collections and balance on hand.

Management Response:

District 1 Commissioner: We will work with the budget maker to present an accurate Estimate of Needs.

District 2 Commissioner: We will work with the Health Department and the budget maker to make sure we present an accurate Estimate of Needs.

District 3 Commissioner: We will work with the budget maker to present an accurate Estimate of Needs.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent.

Title 68 O.S. § 3002(A) states in part, "...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct..."

Oklahoma Constitution Article 10, Section 23 states in part, "The state shall never create or authorize the creation of any debt or obligation, or fund or pay any deficit, against the state, or any department, institution or agency thereof, regardless of its form or the source of money from which it is to be paid."

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-015 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County Officials and employees, and observation of records in regard to the Inmate Trust Fund Checking Account and Sheriff Commissary fund, the following weaknesses were noted:

- During fiscal year 2016, 292 checks, totaling \$160,373, were issued to payees not authorized by state statute.
 - Payees included: Garfield County, City of Enid, Garfield County Court Clerk, Tiger Correctional Service, U.S. District Court, and Town of Lahoma.
 - In one instance, the payee name could not be determined as it was covered by a sticky note on the bank’s copy of the check.
 - One check that cleared the bank had the payee listed as “released from jail.”
- Collections are not deposited daily.
- The Annual Commissary Report filed by the County Sheriff’s office did not include Sheriff Commissary fund beginning and ending balances and expenditures.
- Internal controls have not been established to ensure amounts credited to inmates’ accounts agree to amounts deposited. As a result, unresolved adjustments are continually carried forward in order to reconcile the County Sheriff’s vendor software to banks statements. At June 30, 2016, the total amount of these adjustments was \$788.
- There are no procedures in place regarding unclaimed funds.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that controls are in place with regard to Inmate Trust Fund Checking Account and Sheriff Commissary Fund financial operations. The County Sheriff issued checks from the Inmate Trust Fund Checking Account rather than transferring the proceeds from the inmate sales to the Sheriff Commissary fund for disbursement or issuing checks directly to the inmates.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the total of inmates’ trust fund balances should be reconciled to the bank statements each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund. Furthermore, an annual report of commissary operations should be submitted to the Board of County Commissioners no later than January 15th of each year.

OSAI also recommends that unclaimed property procedures should be established for checks that are outstanding more than 6 months in accordance with state statute.

Management Response:

County Sheriff: Bank deposits will be made daily on regular business days. Checks will only be made out to the inmate upon release and the commissary service, and no other operational expenses. An annual report

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of commissary operations will be made to the Board of County Commissioners no later than January 15th of each year.

We will check with the District Attorney's office and State Treasurer's office procedures dealing with unclaimed funds.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made on a daily basis.

Title 19 O.S. § 180.43(D) states in part, "...Any funds received pursuant to said operations shall be the funds of the county where the persons incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year...."

Title 19 O.S. § 531(A) states in part, "...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 682 states in part, "It shall be the duty of each and every county officer... to deposit daily... all monies...of every kind received or collected by virtue or under color of office..."

Title 22 O.S. § 1325(F, H) prescribes the procedures for handling unclaimed property.

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Finding 2016-016 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory

Condition: Upon inquiry and observation of fixed assets records and inventory items we noted the following:

County Assessor

- A test of ten (10) inventory items for the County Assessor indicated that one (1) item did not have an inventory number affixed.
- Annual fixed asset inventory is not performed.

County Sheriff

- Annual fixed asset inventory is not performed.

County Clerk

- Annual fixed asset inventory is not performed.

County Treasurer

- A test of ten (10) inventory items for the County Treasurer indicated:
 - Three (3) items were marked with a reused inventory number.
 - One (1) item did not have the correct brand name on the inventory card.
- Annual fixed asset inventory is not performed.

District 1 Commissioner

- One individual receives inventory items, maintains inventory records, and performs annual inventory counts.
- A test of ten (10) inventory items for District 1 indicated:
 - Three (3) items did not properly identify as “Property of Garfield County.”
 - One (1) item did not have the inventory number affixed to the asset.
- Documentation of annual fixed asset inventory is not maintained.

District 2 Commissioner

- One individual receives inventory items and maintains inventory records.
- A test of ten (10) inventory items for the District 2 indicated:
 - Five (5) items were not properly identified as “Property of Garfield County.”
 - One (1) item did not have a complete inventory number attached.
- Annual fixed asset inventory is not performed.

District 3 Commissioner

- One individual receives inventory items and maintains inventory records:
 - A test of ten (10) inventory items for District 3 indicated that one (1) item was not marked with an inventory number.
- Annual fixed asset inventory is not performed.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding the identification of fixed assets, maintaining accurate inventory records and the safeguarding fixed assets.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers and “Property of.” OSAI recommends the performing and documenting a periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to efficiently segregate those duties.

Management Response:

District 1 Commissioner: We will have different individuals receive items and appoint someone else to maintain records. We will also implement an annual inventory.

District 2 Commissioner: We will assign an individual to perform annual reviews of the inventory numbers and display stickers on units and record on a list.

District 3 Commissioner: We will segregate duties of receiving equipment and maintaining equipment. We will make sure inventory numbers are on the equipment. We have started completing the annual physical inventory of fixed assets.

County Clerk: In the future, we will have a separate employee complete an annual fixed asset inventory other than the employee who prepared the inventory card.

County Treasurer: We will not reuse inventory numbers and will correct the brand name. We will also complete an annual physical inventory and file it with the County Clerk’s office.

County Sheriff: The County Sheriff’s office will establish monthly assignment for inventory review of assets, including vehicle inspections.

County Assessor: The HP Plotter did not have an inventory number on the day of inspection. The inventory number has been affixed to the plotter and this issue is resolved. We will conduct an annual fixed asset inventory on July 1 of each year. I have instructed my employees to have the inventory audited, utilizing both the assessor’s office copy and the original asset list from the County Clerk. We will sign and date a sheet and insert the signed document in the front of the assessor inventory book. One employee will provide the inventory book but will not take part in the physical inventory.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

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Title 19 O.S. § 178.1 states in part, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and annually thereafter,…”

Title 19 O.S. § 1502(A)(1) which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 69 O.S. § 645 which requires all county owned, rented, or leased road machinery or equipment be clearly and visibly marked “Property Of…”

Finding 2016-017 – Inadequate Internal Controls and Noncompliance Over Consumable Items Inventory

Upon inquiry and observation consumable inventory items, we noted the following:

District 1 Commissioner

- One individual receives consumable inventory, maintains a consumable inventory, and performs inventory counts.
- Satellite fuel tanks are not metered and do not have fuel logs.
- Of the six (6) items selected, two (2) items did not match inventory counts.

District 2 Commissioner

- Consumables inventory is not maintained.
- Transfer tickets are not used when consumable inventory is removed from the yard.
- Satellite fuel tank is not metered and does not have a fuel log.
- The meter on the fuel tank inside the district yard does not work properly.

District 3 Commissioner

- One individual receives consumable inventory, maintains a consumable inventory, and performs inventory counts.
- Satellite fuel tanks are not metered and do not have fuel logs.
- Of the nine (9) items selected, three (3) items did not match inventory counts.

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Cause of Condition: Policies and procedures have not been designed and implemented with regard to accounting for and safeguarding the consumable items that are purchased by the districts.

Effect of Condition: This condition resulted in noncompliance with the state statute. When consumable inventory items are not adequately accounted for and safeguarded there is an opportunity for misappropriation and undetected errors.

Recommendation: OSAI recommends that the County implement policies and procedures to ensure compliance with 19 O.S. § 1504(A), which would provide assurance that the consumable items of the County are protected from loss and misuse.

OSAI also recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

District 1 Commissioner: We will have one person receive consumable inventory and another perform inventory count. We will create a fuel log through our vendor. The blocks were used in a wall at the County Shop.

District 2 Commissioner: We will maintain an in and out log in a file to record any consumable materials being brought in and out of the County. We will have the Grader Operator log the amount of fuel being transferred to the Grader. We will also have the meter checked for accuracy and make needed repairs.

District 3 Commissioner: We have segregated the duties of consumable inventory. I will add a digital meter to the satellite fuel tanks. We will keep better records on the consumable inventory.

Criteria An important aspect of internal controls is the safeguarding of assets. Internal controls constitute a process affected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of consumable inventory.

Title 19 O.S. § 1504(A) states, "A receiving officer shall receive all purchased, lease-purchased or rented items procured for the department and shall items received in a manner prescribed by the county road and bridge inventory officer or board of county commissioners or designee. The receiving officer shall also maintain a record of all such items received, disbursed, stored and consumed by the department."

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov